

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable MaryAnn Blaydes Baron, Green County Judge/Executive

Members of the Green County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates, PSC, evaluated Green County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
GREEN COUNTY FISCAL COURT**

June 30, 2007

Simon, Underwood & Associates PSC has completed the audit of the Green County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Green County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,241,561 as of June 30, 2007, with unrestricted net assets of \$810,964 in its governmental activities. The fiscal court had total debt principal as of June 30, 2007 of \$1,304,972 with \$15,000 due within the next year.

Report Comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll
- The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
GREEN COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	21
NOTES TO FINANCIAL STATEMENTS	23
BUDGETARY COMPARISON SCHEDULES	35
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	37
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	41
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	45
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49
COMMENTS AND RECOMMENDATIONS	53
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable MaryAnn Blaydes Baron, Green County Judge/Executive

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Green County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Green County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Green County, Kentucky, as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable MaryAnn Blaydes Baron, Green County Judge/Executive
Members of the Green County Fiscal Court

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 on our consideration of Green County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comments:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll
- The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

Simon, Underwood & Associates PSC

Simon, Underwood & Associates PSC

Louisville, Kentucky
October 28, 2008

GREEN COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Mary Ann Blaydes Baron	County Judge/Executive
Homer Simpson	Magistrate through December 31, 2006
Tim Darnell	Magistrate beginning January 1, 2007
Glenn Landis	Magistrate through December 31, 2006
Larry Handy	Magistrate beginning January 1, 2007
Charles Judd	Magistrate
Redell Jewel	Magistrate
Gerald Ford	Magistrate through December 31, 2006
Lewis Dobson	Magistrate beginning January 1, 2007

Other Elected Officials:

Jeffery Eastham	County Attorney through December 31, 2006
Russ Goff	County Attorney beginning January 1, 2007
James (Buck) Henderson	Jailer
Carolyn Scott	County Clerk
John Frank	Circuit Court Clerk
Tim Stumph	Sheriff
Ann Edwards	Property Valuation Administrator
Eudell Stilts	Coroner

Appointed Personnel:

Billy Joe Lowe	County Treasurer
Alice A. Clark	Finance Officer
Ronnie Milby	Road Supervisor

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GREEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

GREEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	<u>Primary Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,311,677
Total Current Assets	<u>1,311,677</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	370,552
Buildings	866,858
Equipment	694,827
Vehicles	178,034
Infrastructure	1,124,585
Total Noncurrent Assets	<u>3,234,856</u>
Total Assets	<u>4,546,533</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations Payable	15,000
Total Current Liabilities	<u>15,000</u>
Noncurrent Liabilities:	
Bond Anticipation Notes Payable	1,250,000
Financing Obligations Payable	39,972
Total Noncurrent Liabilities	<u>1,289,972</u>
Total Liabilities	<u>1,304,972</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,929,884
Restricted For:	
Debt Service	500,713
Unrestricted	810,964
Total Net Assets	<u>\$ 3,241,561</u>

The accompanying notes are an integral part of the financial statements.

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GREEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

GREEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received	
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 893,512	\$ 3,902	\$ 464,042
Protection to Persons and Property	440,248	25,224	143,770
General Health and Sanitation	130,058	11,954	
Social Services	3,110		
Recreation and Culture	324,143		
Roads	629,111	25,927	1,553,719
Debt Service	28,223		
Capital Projects	740,741		102,372
Total Primary Government	\$ 3,189,146	\$ 67,007	\$ 2,263,903

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

Excess Fees

Licenses and Permits

Intergovernmental

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
<u>Primary Government</u>	
<u>Governmental Activities</u>	
\$	(425,568)
	(271,254)
	(118,104)
	(3,110)
	(324,143)
	950,535
	(28,223)
	(638,369)
<hr/>	
\$	(858,236)
<hr/>	
\$	263,717
	4,635
	65,760
	240,494
	20,750
	31,388
	9,884
	37,141
	50,056
<hr/>	
	723,825
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	(134,411)
<hr/>	
	3,375,972
<hr/>	
\$	3,241,561
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The accompanying notes are an integral part of the financial statements.

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GREEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

GREEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Public Properties Corporation Bond Fund	Total Non-Major Governmental Funds	
ASSETS					.
Cash and Cash Equivalents	\$ 433,127	\$ 226,320	\$ 500,713	\$ 151,517	.
Total Assets	<u>\$ 433,127</u>	<u>\$ 226,320</u>	<u>\$ 500,713</u>	<u>\$ 151,517</u>	.
FUND BALANCES					
Reserved for:					
Encumbrances	\$	\$ 4,994	\$	\$ 16,520	
Debt Service Fund			500,713		
Unreserved:					
General Fund	433,127				
Special Revenue Funds		221,326		134,997	.
Total Fund Balances	<u>\$ 433,127</u>	<u>\$ 226,320</u>	<u>\$ 500,713</u>	<u>\$ 151,517</u>	.

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

**Total
Governmental
Funds**

\$ 1,311,677

\$ 1,311,677

\$ 21,514
500,713

433,127
356,323

\$ 1,311,677

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 1,311,677
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	4,819,414
Accumulated Depreciation	(1,584,558)
Long-term Debt Is Not Due and Payable in the Current Period And Therefore Is Not Reported in the Funds.	
Financing Obligations	(54,972)
Bond Anticipation Notes Payable	(1,250,000)
Net Assets Of Governmental Activities	<u>\$ 3,241,561</u>

The accompanying notes are an integral part of the financial statements.

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GREEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

GREEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Public Properties Corporation Bond Fund
REVENUES			
Taxes	\$ 465,091	\$	\$
Excess Fees	20,750		
Licenses and Permits	31,388		
Intergovernmental	522,218	1,553,719	
Charges for Services		25,927	
Miscellaneous	49,305	1,223	4,563
Interest	12,985	5,669	29,502
Total Revenues	<u>1,101,737</u>	<u>1,586,538</u>	<u>34,065</u>
EXPENDITURES			
General Government	328,024	18,000	
Protection to Persons and Property	21,719		
General Health and Sanitation	130,058		
Social Services	3,110		
Recreation and Culture	313,190		
Roads		1,095,141	
Debt Service		18,472	25,555
Capital Projects		4,160	736,581
Administration	338,303	174,155	3,251
Total Expenditures	<u>1,134,404</u>	<u>1,309,928</u>	<u>765,387</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(32,667)</u>	<u>276,610</u>	<u>(731,322)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	231,470		
Transfers To Other Funds	(95,000)	(222,000)	(9,470)
Total Other Financing Sources (Uses)	<u>136,470</u>	<u>(222,000)</u>	<u>(9,470)</u>
Net Change in Fund Balances	103,803	54,610	(740,792)
Fund Balances - Beginning	329,324	171,710	1,241,505
Fund Balances - Ending	<u>\$ 433,127</u>	<u>\$ 226,320</u>	<u>\$ 500,713</u>

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 109,515	\$ 574,606
	20,750
	31,388
215,805	2,291,742
11,171	37,098
3,102	58,193
1,902	50,058
<u>341,495</u>	<u>3,063,835</u>
830	346,854
392,125	413,844
	130,058
	3,110
10,953	324,143
	1,095,141
	44,027
	740,741
6,191	521,900
<u>410,099</u>	<u>3,619,818</u>
<u>(68,604)</u>	<u>(555,983)</u>
95,000	326,470
	(326,470)
<u>95,000</u>	
26,396	(555,983)
125,121	1,867,660
<u>\$ 151,517</u>	<u>\$ 1,311,677</u>

The accompanying notes are an integral part of the financial statements.

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GREEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (555,983)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	550,858
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Depreciation Expense	(132,315)
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Disposal of Capital Assets (Net)	(12,775)
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The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.

Financing Obligations Principal Amount	<u>15,804</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (134,411)</u></u>
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	23
NOTE 2.	DEPOSITS	28
NOTE 3.	CAPITAL ASSETS	29
NOTE 4.	SHORT-TERM DEBT	30
NOTE 5.	LONG-TERM DEBT	30
NOTE 6.	FINANCING OBLIGATIONS	30
NOTE 7.	INTEREST ON LONG-TERM FINANCING OBLIGATIONS	31
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	31
NOTE 9.	DEFERRED COMPENSATION	31
NOTE 10.	INSURANCE	32
NOTE 11.	SUBSEQUENT EVENTS	32

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Green County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Green County Public Properties Corporation

The fiscal court appoints the voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Green County Public Properties Corporation.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Green County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Green County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Green County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The County has no proprietary funds.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license, distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Bond Fund - The primary purpose of this fund is to account for debt service requirements of general obligation bonds of the Green County Public Properties Corporation, a blended component unit of the county. The Green County Public Properties Corporation issues debt to build major facilities or additions to existing facilities. The Green County Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

**GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, 911 CMRS Fund, Forestry Fund, and 911 Fund.

Special Revenue Funds:

The Road Fund, 911 CMRS Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Local Government Economic Development Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	40-50
Buildings and Building Improvements	\$ 25,000	40-50
Machinery and Equipment	\$ 10,000	7-30
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 25,000	12-50

G. Long-term Debt and Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations is reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Bond Fund.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 370,552	\$	\$	\$ 370,552
Total Capital Assets Not Being Depreciated	370,552			370,552
Capital Assets, Being Depreciated:				
Buildings	\$ 1,901,375	\$	\$	\$ 1,901,375
Equipment	1,039,728		(15,000)	1,024,728
Vehicles	347,446	10,000	(39,998)	317,448
Infrastructure	664,453	540,858		1,205,311
Total Capital Assets Being Depreciated	\$ 3,953,002	\$ 550,858	\$ (54,998)	\$ 4,448,862
Less Accumulated Depreciation For:				
Buildings	(1,015,476)	(19,041)		(1,034,517)
Equipment	(291,170)	(47,371)	8,640	(329,901)
Vehicles	(154,905)	(18,092)	33,583	(139,414)
Infrastructure	(32,915)	(47,811)		(80,726)
Total Accumulated Depreciation	(1,494,466)	(132,315)	42,223	(1,584,558)
Total Capital Assets, Being Depreciated, Net	2,458,536	418,543	(12,775)	2,864,304
Governmental Activities Capital Assets, Net	\$ 2,829,088	\$ 418,543	\$ (12,775)	\$ 3,234,856

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 22,083
Protection to Persons and Property	26,404
Roads, Including Depreciation of General Infrastructure Assets	<u>83,828</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 132,315</u>

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 4. Short-term Debt

On, July 1, 2006, the Green County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing notes in the amount of \$496,700 with the principal being due on January 30, 2007. Although the County did not use the borrowed funds to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$3,394.

Note 5. Long-term Debt

Public Properties Corporation First Mortgage Revenue Bond Anticipation Notes, Series 2006

On June 27, 2006, the Green County, Kentucky Public Properties Corporation, a component unit of the Green County Fiscal Court, issued \$1,250,000 in first mortgage revenue bond anticipation notes to provide interim financing for the acquisition of land and construction of the Green County Judicial Center. The notes require semiannual interest payments on January 1 and July 1, with principal repayable on July 1, 2008. The Green County Fiscal Court has a sublease with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky, for approximately 100% of the Green County Judicial Center. As of June 30, 2007 the principal amount outstanding was \$1,250,000. Future debt service requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2008		\$ 50,000
2009	\$ 1,250,000	25,000
Totals	<u>\$ 1,250,000</u>	<u>\$ 75,000</u>

Note 6. Financing Obligations

A. Tractor/Mower

On November 22, 2005, the Green County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties (KACO) for \$64,972. The funds were used to purchase a tractor/mower. The county is in substantial compliance with the lease agreement as of June 30, 2007. The principal and interest is to be paid monthly and is based on a 5.02% interest rate. The principal balance outstanding as of June 30, 2007 was \$54,972. Future interest and principal requirements of the Road Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2008	\$ 15,000	\$ 2,101
2009	15,000	1,470
2010	15,000	754
2011	<u>9,972</u>	<u>58</u>
Totals	<u>\$ 54,972</u>	<u>\$ 4,383</u>

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 6. Financing Obligations (Continued)

B. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bond Anticipation Notes	1,250,000	\$		\$ 1,250,000	
Financing Obligations	<u>70,776</u>		<u>15,804</u>	<u>54,972</u>	<u>15,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$1,320,776</u>	<u>\$ 0</u>	<u>\$ 15,804</u>	<u>\$ 1,304,972</u>	<u>\$ 15,000</u>

Note 7. Interest On Long-term Financing Obligations

Debt Service on the Statement of Activities includes \$28,223 in interest on financing obligations and revenue bond obligations.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

The Green County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

Note 9. Deferred Compensation (Continued)

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2007, Green County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Subsequent Events

On February 1, 2008, the County issued \$11,545,000 in lease revenue bonds to fund the construction of the Green County Judicial Center. On February 14, 2008, \$1,250,000 in revenue bond anticipation notes which were utilized as interim financing for the Green County Judicial Center were paid in full.

GREEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

GREEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 486,000	486,000	\$ 465,091	\$ (20,909)
Excess Fees	21,000	21,000	20,750	(250)
Licenses and Permits	36,000	36,000	31,388	(4,612)
Intergovernmental Revenue	1,330,750	1,330,750	522,218	(808,532)
Miscellaneous	13,600	13,600	49,305	35,705
Interest	15,200	15,200	12,985	(2,215)
Total Revenues	<u>1,902,550</u>	<u>1,902,550</u>	<u>1,101,737</u>	<u>(800,813)</u>
EXPENDITURES				
General Government	412,641	416,935	328,024	88,911
Protection to Persons and Property	25,400	34,945	21,719	13,226
General Health and Sanitation	655,750	577,920	130,058	447,862
Social Services	3,500	5,222	3,110	2,112
Recreation and Culture	686,700	725,800	313,190	412,610
Administration	363,559	386,494	338,303	48,191
Total Expenditures	<u>2,147,550</u>	<u>2,147,317</u>	<u>1,134,404</u>	<u>1,012,913</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(245,000)</u>	<u>(244,767)</u>	<u>(32,667)</u>	<u>212,100</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	222,000	222,000	231,470	9,470
Transfers To Other Funds	<u>(227,000)</u>	<u>(227,000)</u>	<u>(95,000)</u>	<u>132,000</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>136,470</u>	<u>141,470</u>
Net Changes in Fund Balance	(250,000)	(249,767)	103,803	353,570
Fund Balance - Beginning	<u>250,000</u>	<u>250,000</u>	<u>329,324</u>	<u>79,324</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 233</u>	<u>\$ 433,127</u>	<u>\$ 432,894</u>

GREEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,105,000	\$ 2,105,000	\$ 1,553,719	\$ (551,281)
Charges for Services	29,000	29,000	25,927	(3,073)
Miscellaneous	100	100	1,223	1,123
Interest	6,200	6,200	5,669	(531)
Total Revenues	<u>2,140,300</u>	<u>2,140,300</u>	<u>1,586,538</u>	<u>(553,762)</u>
EXPENDITURES				
General Government	20,000	19,227	18,000	1,227
Roads	735,992	1,185,565	1,095,141	90,424
Debt Service	25,000	25,000	18,472	6,528
Capital Projects	1,070,500	603,954	4,160	599,794
Administration	241,808	259,554	174,155	85,399
Total Expenditures	<u>2,093,300</u>	<u>2,093,300</u>	<u>1,309,928</u>	<u>783,372</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>47,000</u>	<u>47,000</u>	<u>276,610</u>	<u>229,610</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(222,000)</u>	<u>(222,000)</u>	<u>(222,000)</u>	
Total Other Financing Sources (Uses)	<u>(222,000)</u>	<u>(222,000)</u>	<u>(222,000)</u>	
Net Changes in Fund Balance	(175,000)	(175,000)	54,610	229,610
Fund Balance - Beginning	<u>175,000</u>	<u>175,000</u>	<u>171,710</u>	<u>(3,290)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,320</u>	<u>\$ 226,320</u>

GREEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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GREEN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

GREEN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Special Revenue Funds					
	Jail Fund	LGEA Fund	911 CMRS Fund	Forest Fire Fund	911 Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 5,066	\$ 49,407	\$ 71,452	\$ 31	\$ 25,561	\$ 151,517
Total Assets	\$ 5,066	\$ 49,407	\$ 71,452	\$ 31	\$ 25,561	\$ 151,517
FUND BALANCES						
Reserved for:						
Encumbrances					\$ 16,520	\$ 16,520
Unreserved:						
Special Revenue Funds	\$ 5,066	\$ 49,407	\$ 71,452	\$ 31	9,041	134,997
Total Fund Balances	\$ 5,066	\$ 49,407	\$ 71,452	\$ 31	\$ 25,561	\$ 151,517

The accompanying notes are an integral part of the financial statements.

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GREEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

GREEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	<u>Special Revenue Funds</u>					
	<u>Jail</u>	<u>LGFA</u>	<u>911</u>	<u>Forest</u>	<u>911</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>CMRS</u>	<u>Fire</u>	<u>Fund</u>	<u>Non-Major</u>
			<u>Fund</u>	<u>Fund</u>		<u>Governmental</u>
						<u>Funds</u>
REVENUES						
Taxes	\$	\$	\$	\$1,123	\$108,392	\$ 109,515
Intergovernmental	76,125	39,882	82,298		17,500	215,805
Charges for Services	121				11,050	11,171
Miscellaneous	102				3,000	3,102
Interest	41	348	1,287	1	225	1,902
Total Revenues	<u>76,389</u>	<u>40,230</u>	<u>83,585</u>	<u>1,124</u>	<u>140,167</u>	<u>341,495</u>
EXPENDITURES						
General Government		830				830
Protection to Persons and Property	144,597		68,194	1,224	178,110	392,125
Recreation and Culture		10,953				10,953
Administration	6,191					6,191
Total Expenditures	<u>150,788</u>	<u>11,783</u>	<u>68,194</u>	<u>1,224</u>	<u>178,110</u>	<u>410,099</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(74,399)</u>	<u>28,447</u>	<u>15,391</u>	<u>(100)</u>	<u>(37,943)</u>	<u>(68,604)</u>
OTHER FINANCING SOURCES (USES)						
Transfers From Other Funds	70,000				25,000	95,000
Total Other Financing Sources (Uses)	<u>70,000</u>				<u>25,000</u>	<u>95,000</u>
Net Changes in Fund Balance	(4,399)	28,447	15,391	(100)	(12,943)	26,396
Fund Balances - Beginning	<u>9,465</u>	<u>20,960</u>	<u>56,061</u>	<u>131</u>	<u>38,504</u>	<u>125,121</u>
Fund Balances - Ending	<u>\$ 5,066</u>	<u>\$49,407</u>	<u>\$ 71,452</u>	<u>\$ 31</u>	<u>\$ 25,561</u>	<u>\$ 151,517</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Green County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 28, 2008. Green County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Green County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Green County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll
- The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Green County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Simon, Underwood & Associates PSC

Simon, Underwood & Associates PSC

Louisville, Kentucky
October 28, 2008

**GREEN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2007

**GREEN COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2007

SIGINIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll

The County Treasurer receives mail, posts to the receipts ledger, prepares bank reconciliations, prepares bank deposits, makes bank deposits, and prepares financial reports. The County Treasurer performs the entire payroll function including, among other duties, preparing payroll records, preparing payroll checks, and posting payroll expenses.

We recommend the Fiscal Court implement compensating controls to offset this control deficiency. Someone independent of the Treasurer should reconcile the monthly reports to source documents and/or receipts ledger, recount deposits prepared by the Treasurer, compare receipts listing to daily deposits and posting as well as review bank reconciliations. Department heads should compare payroll records to timesheets and payroll checks to payroll records. Someone independent of the Treasurer should input data/change data of pay rates for new hires and annual pay raises to ensure proper controls are in place.

County Judge/Executive MaryAnn Blaydes Baron Response:

The Finance Officer will review the payroll summary report and reconcile it to the timesheets. The Finance Officer will open all the mail and post the receipts to a mail log. The Treasurer will then reconcile the mail log to the deposit sheets.

The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The County did not have a completed capital asset schedule for fiscal year ending June 30, 2007. A list of capital asset additions, retirements, and disposals was not properly maintained. In addition, assets were retired or disposed of without proper descriptions therefore we were unable to identify these items in order to remove the items from the capital asset schedule. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital assets schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure that only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

County Judge/Executive MaryAnn Blaydes Baron Response: The Finance Officer will maintain and update the capital asset listing.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND LOCAL GOVERNMENT ECONOMIC
DEVELOPMENT PROGRAMS**

GREEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

Appendix A

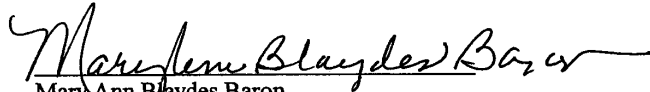
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

GREEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Green County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Mary Ann Blaydes Baron", written over a horizontal line.

Mary Ann Blaydes Baron
County Judge/Executive

A handwritten signature in cursive script, reading "Billy Joe Lowe", written over a horizontal line.

Billy Joe Lowe
County Treasurer

